

Seshasayee Steels P. Ltd. v. Assistant Commissioner of Income Tax, Company Circle VI(2), Chennai

Civil Appeal No. 9209 of 2019 (arising from SLP(C) No. 34815 of 2012)

[2019] 15 SCR 196 | 2019-12-04

Whether an earlier sale agreement and development permission transferred the property in 1998, or the later compromise and completed payments supported the capital-gains assessment for 2004-05.

2(47)(ii) | 2(47)(v) | 2(47)(vi)

3-judge bench | R. F. Nariman, J. | Aniruddha Bose, J. | V. Ramasubramanian, J.

Assessment years: 2004-05

01 FACTS OF THE CASE

In May 1998 the assessee agreed to sell land to a builder and permitted advertising, sale and construction activity. It retained the original title documents and approval rights over advertising material; both parties could seek specific performance. A November 1998 power of attorney authorised a builder director to execute sale documents and deal with development authorities (paragraphs 1-3).

The assessee filed no return for assessment year 2004-05. On discovering a July 2003 compromise, the Assessing Officer issued reassessment and information notices and ultimately made a best-judgment assessment on 31 December 2009. The appellate authorities upheld the capital-gains result. The Tribunal recorded that all compromise cheques had been encashed and that the last cheque was dated 25 January 2004 (paragraphs 4-7).

The assessee argued that the 1998 documents already effected a transfer under section 2(47)(v), or alternatively clause (vi), and that the 2003 compromise did not fall within any transfer category for the year assessed (paragraph 8).

Source: [reported judgment](#) / [paragraphs 1-8](#) / [PDF pages 4, 5, 6, 7](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

For section 53A, the Court identified possession in part performance and performance or willingness to perform as important requirements among the applicable conditions. On the actual agreement, the builder had permission to develop, rather than legal possession or control of the property of the kind contemplated by section 53A. A licence to enter and build could not be equated with that possession merely because physical occupation occurred. Section 2(47)(v) therefore did not establish the asserted 1998 transfer (paragraphs 10-14).

Following Balbir Singh Maini, the Court read enabling enjoyment in section 2(47)(vi) in light of transfer: it contemplated enjoyment as a purported owner and a transfer in substance, not simply any contractual benefit concerning land. In 1998 the assessee's ownership and possession rights remained intact, so that alternative also failed on the earlier documents (paragraphs 15-17).

The compromise stood differently. It confirmed the sale agreement and power of attorney, recorded payments received and required the balance through seven post-dated cheques, with the final two conditional on another party's discharge certificate. On the Tribunal's finding that all cheques had been encashed, the assessee's rights were extinguished on receipt of the last cheque and the compromise effected a transfer. The Court sustained the assessment under section 2(47)(ii) and (vi), rather than on the earlier licence as part-performance possession (paragraphs 18-21).

Source: [reported judgment / paragraphs 10-14 / PDF pages 7, 8, 9 / judicial text](#); [reported judgment / paragraphs 15-17 / PDF pages 10 / judicial text](#); [reported judgment / paragraphs 18-21 / PDF pages 10, 11 / judicial text](#)

03 JUDICIAL DECISION

The assessee appeal was dismissed for the Supreme Court's stated reasons. The assessment-year 2004-05 result was sustained because the later compromise and completed payments extinguished the assessee's rights and effected the transfer. No remand or separate recalculation of capital gains was directed (paragraphs 20-22).

Source: [reported judgment / paragraphs 20-22 / PDF pages 11 / judicial text](#); [official signed judgment / paragraphs Unnumbered closing judicial discussion and disposition / PDF pages 11, 12 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee appeal dismissed for the reasons in the Supreme Court judgment

Final transfer-characterisation and timing ruling on the three documents and completed payments

A fact-specific distinction between a development licence and later extinguishment. Not every agreement, power of attorney, physical entry or last instalment automatically fixes a transfer date; no universal gross-consideration computation rule was decided.

Source: [official signed judgment / paragraphs Signed dismissal and record of proceedings / PDF pages 12, 13 / judicial text](#)

05 AKHB REVIEW POINT

Read the rights created by each document in sequence. Separate permission to advertise or construct from legal control and enjoyment as owner. Then identify what a later compromise, release, payment or other event actually extinguished; the contract label alone cannot answer the transfer question.

The decisive later fact here was established encashment of all compromise cheques. Do not turn that into a general rule that capital gains always wait for full payment, or that development permission can never accompany a transfer. Verify the applicable statutory version, registration requirements and later treatment in the particular transaction. The Court's recital of the assessment does not supply a general method for treating all sale proceeds as taxable gain.

Source: [reported judgment / paragraphs 11-22 / PDF pages 9, 10, 11 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

142(1); 144; 148

OTHER GOVERNING STATUTES

1.

Act: Transfer of Property Act, 1882

Provisions: 53A

Role: Part-performance possession conditions relevant to section 2(47)(v)

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. F. Nariman, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (official signed judgment)

Identified source rendition: 13 PDF pages; SHA-256 e9af35d96460f569b5336245be72ee14a8a3dbed6156bf1a98d4da82433b2d01. Original bytes preserved. Unnumbered signed judgment on physical pages 1-12; a distinct record of proceedings on page 13 grants leave and records dismissal in terms of that judgment. The quoted numbered paragraphs on pages 9-10 belong to Balbir Singh Maini, not to the current original judgment. Cover, cases, author, key reasoning, outcome and signed date matched against the fully read reported judicial text. No full independent reread of the separate original rendition is claimed.

Open cited source rendition

SCR citation verified on the reported cover; no neutral citation inferred.

The official filename is labelled Order, but the PDF contains a signed reportable judgment on pages 1-12 and a separate record of proceedings on page 13. These are not separate substantive decisions.; The original's current-judgment paragraphs are unnumbered; numbered pinpoints refer to the reported rendition. Quoted Maini paragraphs 24-25 belong to the cited case.; The opening agreement refers to Rs.5.5 crore, while the compromise discussion refers to Rs.6.10 crore less Rs.50 lakh, a received amount and a stated balance that are not reconciled in the judgment. No independently corrected consideration or capital-gains quantum is inferred.; Use the signed date 4 December 2019, not the later 13 December digital-signature stamp.

STATUTORY SCOPE

Historical judgment review; no automatic Income-tax Act, 2025 mapping or present procedure certificate.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or current-law audit.

IDENTIFIED SOURCE LINKS

official signed judgment - PDF pages: 13

SHA-256: e9af35d96460f569b5336245be72ee14a8a3dbed6156bf1a98d4da82433b2d01

reported judgment - PDF pages: 11

SHA-256: 2e0e9a9f60cf66d64c5060e907cdd42ceea63f9fb6bf9ec17f040ad0f29f8cc3

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